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ONE HUNDRED SIXTH CONGRESS

# Congress of the United States

## House of Representatives

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December 14, 1999

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### BY FACSIMILE

The Honorable T.J. Glauthier  
Deputy Secretary of Energy  
Department of Energy  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

Dear Deputy Secretary Glauthier:

Thank you for the Department of Energy's (DOE's) December 7, 1999 letter responding to my letter of August 18<sup>th</sup> regarding DOE's Climate Change Technology Initiative (CCTI) programs. In the present letter, I will comment on DOE's responses.

DOE continues to provide no cost-per-ton estimates for its CCTI programs, arguing that "an accurate assessment of the economic worthiness of such Federal efforts depends on a full accounting of all the resulting costs and benefits, not just those reflected in greenhouse gas emission reductions." I agree; but, surely, in the case of tax credits designed and proposed for the specific purpose of reducing greenhouse gas emissions, the cost per ton of those credits must be considered an important piece of information, essential to any "full accounting of all the resulting costs and benefits." By failing to provide such information, DOE confirms my judgment, based largely on the analysis of DOE's Energy Information Administration (EIA), that the CCTI tax credits are not a cost-effective means of addressing the presumed problem of global warming.

Although you acknowledge that "the Treasury Department's estimate of cumulative savings [from the CCTI tax credits for wind and biomass generation] is not inconsistent with the EIA estimate" of a mere 0.17 percent emissions reduction in 2010, you confuse the issue by comparing apples (cumulative emission reductions over a multi-year period) to oranges (total emissions in a single year). You state: "According to Treasury Department estimates, the CCTI tax incentives for electricity produced from wind and biomass will reduce carbon-equivalent emissions of greenhouse gases by 15-23 million metric tons over the expected life of the investments that directly benefit from the incentives. This quantity of emissions is roughly 1 percent of expected U.S. emissions of greenhouse gases in 2010 under a business-as-usual scenario." However, a reduction of 15-23 million metric tons is undoubtedly far less than 1 percent of total cumulative carbon emissions over the life of the targeted investments. It is disappointing that your

answer is not fully responsive to my question, as I specifically asked for “the relative (percentage) reduction of emissions attributable to the CCTI tax credits” over “multi-year periods,” such as 2000-2010, 2000-2015, or 2000-2020.

The one CCTI program that appears to be a “winner” for the taxpayer (if, but only if, we grant that global warming is a problem and that reducing average global temperatures by a non-measurable few hundredths of a degree is a real benefit) is the CCTI nuclear program. Supposedly, that program would avoid 150 million metric tons of carbon emissions at a cost of “only” \$5 million. In my August 18<sup>th</sup> letter, I challenged that estimate. Specifically, I asked whether DOE based its estimate on two unjustified assumptions: (1) that all avoided new electricity-generating capacity would be coal-based rather than combined-cycle gas plants; and (2) that the CCTI nuclear program would extend the operating life of all nuclear plants, not just those scheduled for retirement over the next 20 years.

You admit that “the estimate of 150 million metric tons was based on extending the operating life of all nuclear plants and not just those scheduled for retirement in the next two or three decades.” Although DOE did not assume that all avoided capacity would be coal-based electricity, DOE based its estimate on “the average emissions” from coal- and natural-gas-fired electricity in 1995, and used this “average emission rate” for calculating the 20-year emissions reduction of the proposed nuclear program. In other words, DOE assumed that the current mix of coal- and natural-gas-based electricity would not change over the next 20 years. But, that assumption is incorrect. The mix is projected to shift in favor of natural gas, as combined-cycle gas plants are built to meet new electricity demand and replace older coal-fired facilities. Therefore, I am forced to conclude that DOE’s estimate of carbon emissions avoided by the CCTI nuclear program is not credible.

Although you admit that “DOE did not develop estimates of the number of ‘free riders’ likely to benefit from the Administration’s proposed tax incentives,” you continue to reject EIA’s estimate of the percentage of free riders, explaining that “DOE worked with the Treasury Department to design the tax credits in such a way as to minimize such free riders.” This explanation is inadequate. I am obliged to repeat what I wrote in my August 18<sup>th</sup> letter: “Unless DOE has made its own estimates, and is prepared to share them, it is difficult to put much stock in DOE’s criticism of EIA’s estimates.”

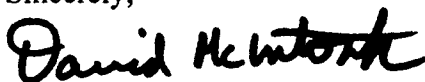
Finally, I want to raise a more serious matter than the technical issues discussed above. DOE took almost four months to respond to four uncomplicated questions about the CCTI programs. During this time, House and Senate appropriators voted to increase DOE’s funding for those programs from \$0.9 billion in fiscal year (FY) 1999 to \$1.0 billion in FY 2000. Timely responses to my August 18<sup>th</sup> letter would have clarified the following facts: (1) DOE refuses to calculate, or share its estimate of, the cost per ton to the Treasury of the proposed CCTI tax credits; (2) EIA’s analysis of the wind and biomass tax credits as providing negligible greenhouse gas reductions is correct; (3) DOE’s estimate of the CCTI nuclear program’s carbon emissions reductions rests on

faulty assumptions and is not credible; and, (4) DOE refuses to provide its own numbers or calculations to defend its criticism of EIA's "free rider" estimates.

In short, timely responses might have jeopardized the funding increase for DOE's CCTI programs. I am forced to conclude that DOE took so long to respond to my August 18<sup>th</sup> letter in order to "run the clock" on the appropriations process. I will certainly share this concern with my colleagues on the Appropriations Committee.

If you have any questions about this letter, please contact Subcommittee Staff Director Marlo Lewis at 225-1962.

Sincerely,



David M. McIntosh

Chairman

Subcommittee on National Economic Growth  
Natural Resources and Regulatory Affairs

cc: The Honorable Dan Burton  
The Honorable Dennis Kucinich  
The Honorable Ralph Regula

The Honorable Frank Murkowski  
The Honorable Jeff Bingaman  
The Honorable Larry Craig